Tortoise QuickTake Podcast

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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, a senior member of Tortoise provides a timely update on trending topics in the market.

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It was another busy week keeping up the trend of 2017. According to my count last week was the busiest thus far for midstream earnings with quite a few upstream reports as well. Along with that we also had the 6th straight week of huge domestic crude inventory builds. Specifically we are still seeing high imports which combined with season refinery maintenance led to a build of 9.5 million bbls. While this sounds bearish global inventories have been shrinking supporting our view that domestic builds are transitory and globally the crude market is in a supply-demand deficit. In spite of all the data points, energy was range bound. In fact oil last week traded in the tightest band that is has going back all the way to January 2004 trading within a $1.27 range all week. With that MLPs were down ½% while surprisingly E&Ps and the S&P Energy Select Sector® Index each lost 2%

Given midstream was where the action was let's go rapid fire through our thoughts on the TCA holdings who reported. DCP beat on operating expenses and outlined a target of getting to 1.2x coverage in 2018 and resuming modest distribution growth. NBLX put up an in line quarter but more importantly, guided to 20% organic distribution growth through 2020 w/ 1.3x coverage. For Enlink the story is all about volume ramp during 2017 driving them to reaffirm 2017 EBITDA guidance for the year. Targa had a strong quarter as expected and Permian production growth is pushing 2017 investment to $700 million. Keyera's soft quarter was offset by $250 million of new investments driving future cash flow growth. Tallgrass was inline but also put out positive 2017 guidance with 20% growth and 1.4x coverage at the LP. Williams had a quiet quarter with the big news being fourth quarter debt reduction of $1.2 billion with $1.9 billion more planned in 2017. At Genesis the delay in in-service and ramp on growth projects overshadowed an otherwise in-line quarter. Enbridge had a quiet update and all eyes are on the partnership's pending strategy review following the puzzling update issued January 27th which caused the units to tumble 30% since. Spectra quarterly results were fine but their 2017 coverage guidance dropped from 1.2x to 1.1x. And finally, InterPipeline posted another solid result and added a new long-term contract with CNRL for its next oil sands project.

There were quite a few upstream reports as well. Noble Energy had a nice quarter with production at the high end of guidance and costs below expectations. Diamondback continued its string of nice results with a quarterly beat and 2017 production growth target of 65%. Devon's outlook was slightly higher due to a more aggressive rig ramp than previous planned. Laredo put up a nice result and increased their type curve 30%. Cimarex beat and provided 2017 capex guidance which was up 50% year over year, driving a 30% exit rate oil production growth and momentum going into 2018.

Finally I'll wrap it up with the news from last week. First, Noble Midstream and Plains announced a joint venture to acquire the Advantage Crude oil pipeline in the Delaware basin for $133 million. Next MPLX and Enbridge announced they've closed on their purchase of a 36.75% interest in the Bakken Pipeline System for $2 billion. MPLX also announced they will purchase the Ozark pipeline from EEP for $220 million. Also Columbia Pipeline announced receipt of unitholder approval to complete their purchase Columbia Pipeline Partners. Last, but not least, Sunoco Logistics received the Pennsylvania state approvals necessary to complete the Mariner East 2 pipeline projects.

With that I'd like to close by wishing a Happy Birthday to a couple of my heroes, George Washington and Abraham Lincoln. Thanks for listening.

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com.

The S&P Energy Select Sector® Index

The S&P Energy Select Sector® Index is a capitalization-weighted index of S&P® 500 Index companies in the energy sector involved in the development or production of energy products.